

GAO

Report to the Chairman, Special
Committee on Aging
United States Senate

December 1986

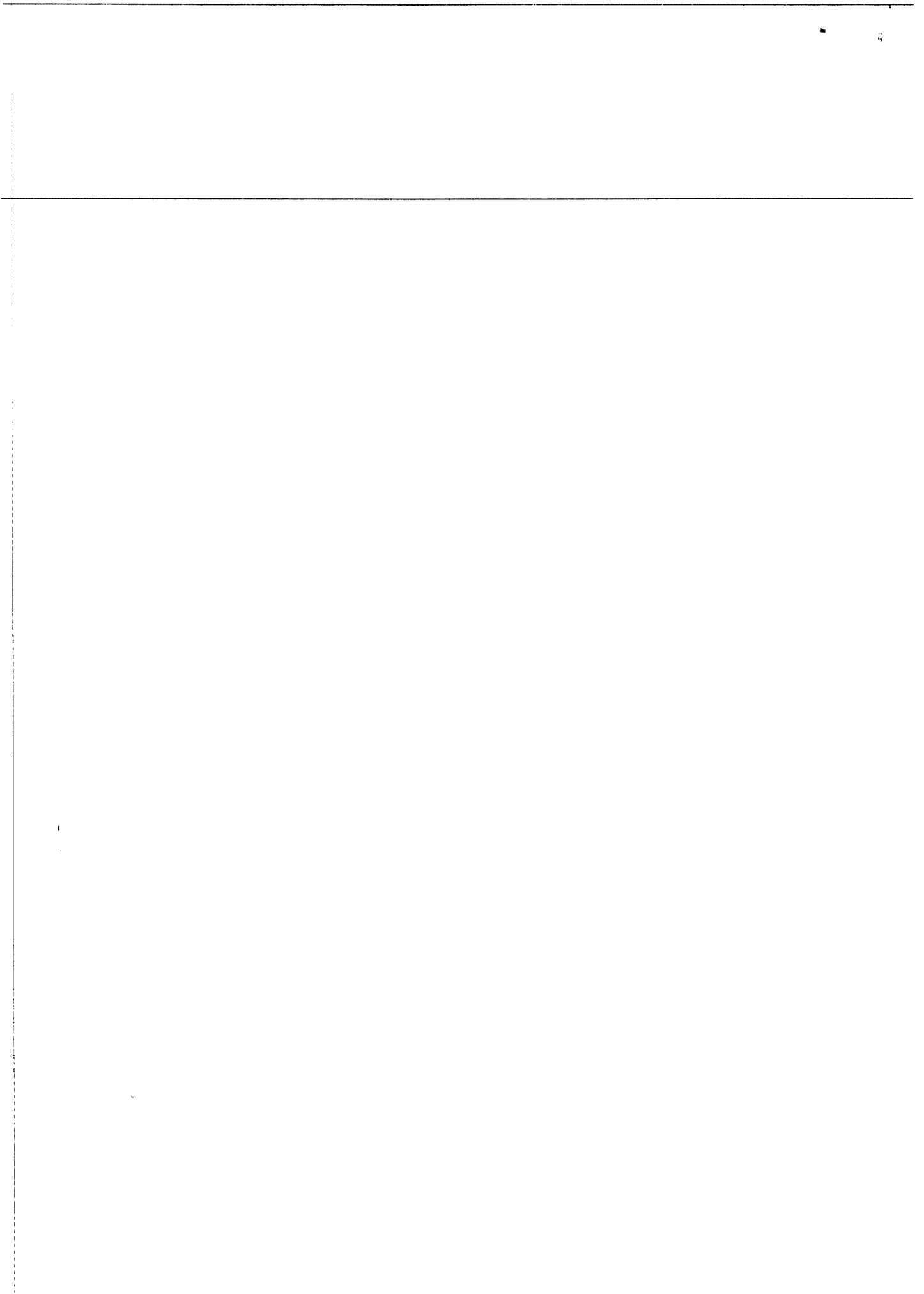
AGING

GAO Activities in
Fiscal Year 1986



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Human Resources Division
B-217195

December 15, 1986

The Honorable John Heinz
Chairman, Special Committee on Aging
United States Senate

Dear Mr. Chairman:

On September 26, 1986, you requested that we submit a report on our fiscal year 1986 activities regarding older Americans. This report responds to your request.

Appendixes I and II list GAO's fiscal year 1986 completed products and work in process that relate to issues affecting the elderly. Appendix I classifies products by type—35 reports, 11 briefing reports (BR), and 5 fact sheets (FS). The reports may include conclusions and recommendations; the fact sheets contain facts and limited analyses only. Appendix II lists 55 assignments in process as of September 30, 1986.

As discussed in appendix III, at the end of fiscal year 1986, 48.8 percent of our work force was age 40 and older. Our employment policies prohibit age discrimination, and we continue to provide individual retirement counseling and preretirement seminars.

As arranged with your office, we are sending copies of this report to interested congressional committees and subcommittees. Copies will also be made available to other interested parties upon request.

Sincerely yours,



Richard L. Fogel
Assistant Comptroller General

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Abbreviations

BR	Briefing Report
CSBG	Community Services Block Grant
FS	Fact Sheet
GAO	General Accounting Office
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
HIO	health insuring organization
HMO	health maintenance organization
HUD	Department of Housing and Urban Development
LIHEA	Low Income Home Energy Assistance
OASDI	Old Age, Survivors, and Disability Insurance
PPS	prospective payment system
PRO	Peer Review Organization
RRB	Railroad Retirement Board
SSA	Social Security Administration
SSI	Supplemental Security Income
VA	Veterans Administration

GAO Reports Relating to Issues Affecting the Elderly Issued From October 1, 1985, Through September 30, 1986

Federal Benefit Programs: a Profile (GAO/HRD-86-14, Oct. 17, 1985)

This report profiles 150 federal benefit programs that provide cash or noncash assistance to persons who qualify for benefits as a result of either (1) contributions made by them or on their behalf or (2) military service. These programs spent more than 400 billion in federal tax dollars in fiscal year 1983, excluding administrative costs, or about 49 percent of the U.S. budget.

The document identifies the 150 programs; for 91 of them, it (1) provides financial and other related data; (2) describes their purposes, who is eligible for them, and the benefits available; and (3) identifies the federal agencies that administer them and the congressional committees that oversee them.

Arizona Medicaid: Nondisclosure of Ownership Information by Health Plans (GAO/HRD-86-10, Nov. 22, 1985)

This report responds to a congressional request for information on compliance with federal requirements for disclosure of ownership information by prepaid health plans participating in Arizona's Health Care Cost Containment System. The Arizona System is a Medicaid demonstration project approved by the Health Care Financing Administration to develop and test innovations designed to constrain health care costs.

GAO found that many health plans participating in the Arizona System have not complied with federal disclosure requirements intended to determine the appropriateness of ownership and control arrangements and related-party transactions.

Medicaid Requirements: Health Insuring Organizations (GAO/HRD-86-42FS, Nov. 27, 1985)

GAO reviewed the regulations and guidelines applicable to state Medicaid contracts with health insuring organizations (HIOs). HIOs are paid a negotiated, fixed amount per beneficiary per month to underwrite the cost of providing Medicaid benefits. HIOs then negotiate contracts with community providers to provide Medicaid services.

This fact sheet provides information on the Department of Health and Human Services' or its Health Care Financing Administration's promulgation of regulations or written guidelines that specify

- the method a state Medicaid agency must use for procuring an HIO contract, the minimum qualifications that an HIO must possess, and the disclosure requirements to which HIOs are subject;
- the financial and utilization reporting requirements to which HIOs are subject;

- methods that HIOS must employ to ensure that Medicaid beneficiaries have access to quality care; and
- the amount of payments that an HIO may retain for its own financial benefit.

**Treasury's
Management of Social
Security Trust Funds
During the Debt Ceiling
Crises (GAO/HRD-86-
45, Dec. 5, 1985)**

This report cites GAO's opinion on the legality and propriety of the Secretary of the Treasury's management of the Social Security Trust Funds (Federal Old Age and Survivors' Insurance Trust Fund and the Federal Disability Insurance Trust Fund) during the government's October 1984 and September-November 1985 public debt ceiling crises. The report also includes information on the Department of the Treasury's actions regarding the Trust Funds and the effects of those actions on the Funds' long-term investments.

**Disability Programs:
SSA Consultative
Medical Examination
Process Improved;
Some Problems Remain
(GAO/HRD-86-23,
Dec. 10, 1985)**

In fiscal year 1986, the Social Security Administration (SSA) will spend about \$203 million on medical examinations of claimants seeking benefits under the Social Security Disability Insurance and Supplemental Security Income programs. These "consultative examinations" are purchased from private medical sources when sufficient evidence of medical impairment is unavailable from the physicians who treated the claimants.

This report (1) evaluates how SSA manages the consultative examination process to ensure the quality and reliability of examinations and reports, (2) evaluates SSA's controls to assure the necessity and appropriateness of consultative examination purchases, and (3) identifies and reports on the operations of major volume providers nationwide.

GAO concluded that despite progress in improving the process, SSA still lacks reasonable assurance that good quality medical examinations and reports are obtained and the purchase of unnecessary examinations is prevented.

Redemption of Railroad Retirement Account Investments (GAO/HRD-86-53, Dec. 13, 1985)

This report includes the result of GAO's investigation of Treasury's unilateral sale of securities from the Railroad Retirement Account. Specifically it

- analyzes the legality of Treasury's sale of securities without Railroad Retirement Board approval and of the sale of securities in an amount in excess of what was required to make benefit payments,
- determines the amount of interest lost by the Railroad Retirement Account as a result of this action, and
- determines how Treasury's action would be characterized under fiduciary standards generally applicable to pension plan managers.

Medicare: Documenting Teaching Physician Services Still a Problem (GAO/HRD-86-36, Jan. 21, 1986)

In accordance with the Deficit Reduction Act of 1984 (Public Law 98-369), GAO reviewed the amounts billed for teaching physician services and paid by Medicare carriers to determine whether such payments had been made only where the physicians had satisfied the requirements of the Social Security Act.

GAO focused on the requirement that teaching physicians must provide a personal and identifiable service to Medicare patients and found that about half of the services reviewed were not adequately documented to show this. GAO's report discusses this and other issues, such as the adequacy of Medicare documentation criteria and monitoring for compliance with Medicare requirements.

Social Security: Quality of Services Generally Rated High by Clients Sampled (GAO/HRD-86-8, Jan. 30, 1986)

SSA touches the lives of millions of Americans. For example, in 1984, SSA paid some \$181 billion to more than 40 million beneficiaries and recipients of its two largest programs—Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI).

Although there is widespread interest in these programs and how well they serve their clients, little data are available on satisfaction with service. GAO surveyed the attitudes of a random sample of OASDI and SSI clients nationwide, asking them to rate certain SSA services, including such specific aspects as employee courtesy, privacy of interviews, clarity of program explanations, and waiting times. Overall, most respondents gave SSA high marks, rating the service as good to very good and better than service from other government agencies.

**Retirement Benefits:
Discrepancies in
Benefits Paid by the
Railroad Retirement
Board for SSA (GAO/
HRD-86-3, Feb. 5,
1986)**

This report focuses on the Railroad Retirement Board (RRB) and the SSA Computer Systems Audit intended to verify the accuracy of payments RRB made on behalf of SSA to individuals entitled to both railroad retirement and social security benefits. The Computer Systems Audit has identified 190,000 payment discrepancies involving apparent differences between what SSA said should have been paid and what RRB paid. Most of the discrepancies have not been reconciled.

Recent SSA data indicate that about 10 to 15 percent of reviewed and reconciled cases contain payment errors. The average over- and underpayment ranged from \$70 by one SSA estimate to \$835 according to another. Officials at each agency blame their counterparts at the other agency for the limited action in resolving the discrepancies. Consequently, thousands of social security and railroad retirement beneficiaries continue to be over- or underpaid for years, while available information identifying these inaccuracies is unused.

This report provides GAO's assessment of (1) the agencies' progress in reconciling discrepant cases and (2) the effect of discrepancies on beneficiaries.

**Pension Plans: 1980
Multiemployer Pension
Amendments:
Overview of Effects
and Issues (GAO/HRD-
86-4, Feb. 13, 1986)**

The Multiemployer Pension Plan Amendments Act of 1980 made major changes in the way the federal government insures and regulates private pension plans covering employees of more than one employer. GAO, in a series of seven reports, provided information on the act's initial effects. To provide a framework for deliberating future proposals affecting the multiemployer pension plan system, this report consolidates the information contained in the prior reports and highlights important evolving issues that GAO believes could put the insurance program in jeopardy.

**Federal Compensation:
Effects of Proposed
Retirement Changes on
a Typical Federal
Retiree (GAO/GGD-86-
51FS, Feb. 27, 1986)**

This fact sheet provides information on the effect of the fiscal year 1987 budget proposals recommending changes to civil service retirement benefits. The fact sheet shows the overall effect of the three proposed benefit reductions: (1) high-three to high-five, (2) 2-percent per year pre-age 62 reduction, and (3) cost-of-living adjustment limitation.

**Railroad Retirement:
Size, Nature, and
Funding Sources
(GAO/HRD-86-73FS,
Mar. 5, 1986)**

Since 1937, a number of laws have helped shape what is now referred to as the railroad retirement program. Over the years, the program has changed from one almost entirely funded by the rail industry to one that received almost half of its annual revenue from federal sources. During this time, the program had evolved from an industry-funded plan for retired workers to one containing both social security and private pension elements.

This fact sheet provides information on the federal financial involvement in the railroad retirement and unemployment and sickness insurance programs with highlights of the following issues:

- The railroad retirement program's annual revenues that are provided by the federal government.
- Dual benefits to retirees entitled to both railroad retirement and social security.
- Tax treatment of retirement benefits from the private pension component of railroad retirement and the taxation of normal private pension plan benefits.
- Rail private pension benefits that are taxed at the same rate as social security benefits rather than at the higher rate of other private pensions.
- Additional federal financial involvement that could be required in the future.
- The unfunded liability of the railroad retirement trust fund.

**Medicare: Past Overuse
of Intensive Care
Services Inflates
Hospital Payments
(GAO/HRD-86-25,
Mar. 7, 1986)**

Reimbursement rates for hospital care under Medicare's prospective payment system (PPS) were intended to reflect the costs of efficiently providing appropriate and necessary medical services. In this report, GAO shows that the data on which these rates were based included the cost of avoidable intensive care services provided to Medicare beneficiaries and that, since implementation of PPS, hospitals have begun to change their intensive care unit practices.

**Social Security: Past
Projections and Future
Financing Concerns**
(GAO/HRD-86-22,
Mar. 11, 1986)

This report reviews past and current projections for the Social Security system and the economic and demographic assumptions that underlie the projections. The report responds to a request for information concerning the projections and their implications for budget planning.

The first part of the report reviews past projections and assumptions for the Old-Age and Survivors Insurance trust fund. The second part reviews recent projections since the passage of the 1983 Amendments to the Social Security Act and the current projections and assumptions contained in the 1985 Annual Report of the Board of Trustees for the Old-Age and Survivors Insurance and Disability Insurance trust funds. The budgetary and economic implications of the current projections are also discussed.

**Social Security:
Pension Data Useful
for Detecting
Supplemental Security
Payment Errors** (GAO/
HRD-86-32, Mar. 12,
1986)

This report includes GAO's evaluation of SSA's computerized employment pension income data base for its potential usefulness in detecting payment errors in the SSI program. Under title XVI of the Social Security Act, pension income must be reported by SSI recipients and, above a certain allowable limit, reduces the amount of their monthly SSI payment. GAO matched the pension file with a random sample of SSI case records. GAO found overpayment errors—due to unreported or underreported pension income—in about 18 percent of the sample SSI cases receiving pension income.

**Social Security: Actions
and Plans to Reduce
Agency Staff** (GAO/
HRD-86-76BR, Mar. 17,
1986)

This briefing report presents the results of GAO's review of SSA's plans and actions to reduce its employment by 17,006 full-time equivalent positions from fiscal year 1985 through 1990. GAO examined (1) where staff reductions occurred, (2) the basis for reductions, (3) the effect on service to the public, and (4) SSA's plans for future reductions.

**District's Workforce:
Annual Report
Required by District of
Columbia Retirement
Reform Act (GAO/
GGD-86-59, Mar. 26,
1986)**

In accordance with the District of Columbia Retirement Reform Act, GAO commented on the actuary's report on the disability retirement rate of District of Columbia police officers and fire fighters. The act provides for annual federal payments to the District of Columbia Police Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. The purpose of making the payments subject to a reduction was to encourage the District government to control disability retirement costs.

GAO reviewed the actuary's report and concluded that no reduction was required in the fiscal year 1987 federal payment to the District's police and fire fighters retirement fund. The District of Columbia Retirement Board engaged an actuary to (1) determine the 1985 disability retirement rate for District police officers and fire fighters hired before February 15, 1980; (2) determine if that rate exceeded eight-tenths of one percentage point; and (3) prepare the annual report required by the act.

**Social Security: Issues
Relating to Agency
Field Offices (GAO/
HRD-86-71BR, Mar. 31,
1986)**

GAO examined a number of issues dealing principally with SSA's field office structure. In early 1985 there was widespread speculation that many of SSA's more than 1,300 offices might be closed.

This briefing report provides details on (1) the evolution of SSA's field office structure; (2) the existing structure, including its accessibility to SSA clients and the distribution of offices among the states; (3) the effect of prior office closings and changes in size and type of office on SSA administrative costs and service to the public; and (4) the results of SSA's ongoing review of its field offices.

**Financial Audit: Civil
Service Retirement
System's Financial
Statements for 1984
(GAO/AFMD-86-12,
Apr. 2, 1986)**

This report presents GAO's opinion on the U.S. Civil Service Retirement System's financial statements for the fiscal year ended September 30, 1984. It includes information on the retirement system's internal accounting controls; compliance with laws and regulations; and general information, such as type of plan and actuarial assumptions used, financial statements, actuarial status information, and an opinion of an enrolled actuary on the reasonableness of the actuarial assumptions.

**Medicare: Existing
Contract Authority
Can Provide for
Effective Program
Administration (GAO/
HRD-86-48, Apr. 22,
1986)**

Health insurance companies process Medicare claims under contract with the government. The contractors are responsible for serving about 31 million elderly and disabled beneficiaries and insuring that the over \$60 billion in annual payments from the Medicare Trust Funds represent only expenditures for medically appropriate, covered services. Most of these contractors are paid for their services on a cost reimbursement basis.

When Medicare began in 1966, the Congress determined that the use of cost reimbursement contracts in the program was appropriate, and competition for these contracts generally was not required. The Department of Health and Human Services (HHS) was later given legislative authority to experiment with fixed-price or incentive arrangements with contractors as a way of potentially reducing costs and improving program administration. Since 1977, HHS has initiated eight competitive fixed-price contracts on an experimental basis.

This report includes an evaluation of whether (1) the advantages of fixed-priced competition justify the broader use of this method of contracting in the Medicare program and (2) HHS's current authority is sufficient to achieve increased administrative efficiency without a change in contracting methods.

**Federal Workforce:
Added Cost of Early
Retirement Is Included
in Retirement Cost
Factor (GAO/GGD-86-
67BR, Apr. 25, 1986)**

The Office of Management and Budget Circular A-76 requires government agencies to compare the cost of performing commercial functions using federal employees to the cost of performing the functions using contractors in order to determine the most economical means of obtaining the work.

This briefing report addresses concerns that the government's policy of contracting work to the private sector forces some federal employees into early retirement and that the extra costs of early retirement negate any anticipated savings to the government and comments on the funding practices for the civil service retirement system.

**Pension Plans:
Termination of Plans
With Excess Assets
(GAO/HRD-86-89BR,
Apr. 30, 1986)**

A defined benefit pension plan's assets consist of the employer's contributions required by federal funding standards and the investment return on the contributions. When a plan is terminated, assets in excess of those needed to pay plan participants' benefits may revert to the employer. Employers terminating their defined benefit plans may provide replacement pension plans to cover employees. To encourage continued plan use, in May 1984 the administration issued guidelines clarifying that employers could establish defined benefit, as well as defined contribution, replacement plans.

This briefing report provides information on defined benefit pension plan terminations involving the reversion of excess plan assets to employers. It addresses the reasons defined benefit plans had excess assets at termination, the reasons plans were terminated, the types of replacement plans provided, and the effect of the administration's guidelines on employers' termination and replacement decisions.

**VA Health Care:
Allocation of Resources
to Medical Facilities in
the Sun Belt (GAO/
HRD-86-70, May 6,
1986)**

This report provides information on whether veterans at Veterans Administration (VA) medical facilities in Florida and other Sun Belt areas have equal access to care compared to VA patients in other areas of the country. Concern was raised that VA, in allocating health care resources to its medical centers, did not fully consider growth of the veteran population in the Sun Belt or the seasonal migration of veterans to the Sun Belt during winter months.

Specifically, this report provides information on

- changes in the veteran population, veterans' demand for health care from VA, VA medical workload, and obligation of VA health care dollars from fiscal years 1981 through 1985;
- seasonal fluctuations in demand for care and outpatient workloads at VA facilities in the Sun Belt and the rest of the country;
- the extent to which VA medical centers in Miami and Tampa, Florida, and Boston, Massachusetts, provided veterans with timely access to needed care during the winter of 1984-85; and
- the extent to which VA considers changes in veteran demand for care when allocating health care resources to its medical centers.

**Community Services:
Block Grant Helps
Address Local Social
Service Needs (GAO/
HRD-86-91, May 7,
1986)**

Authorizing legislation for the Community Services Block Grant (CSBG) requires GAO to evaluate the states' use of CSBG funds.

This report expands on the testimony GAO delivered before congressional subcommittees. It contains information on key issues raised in the Congress pertaining to the reauthorization of CSBG. The report also contains two case studies of community action agencies—Bonifay, Florida, and Detroit, Michigan—describing the roles that community action agencies have in rural and urban communities and how the issues raised during the reauthorization process could affect them.

**Medicaid: Methods for
Setting Nursing Home
Rates Should Be
Improved (GAO/HRD-
86-26, May 9, 1986)**

Because of the rapidly growing elderly population, nursing home care has become the nation's third largest health care expenditure. Under Medicaid, the federal government pays 50 to 78 percent of the costs incurred by states for medical services for persons unable to pay for their care.

Until 1980, states were required to pay for Medicaid nursing home care on a reasonable cost-related basis. The Congress, through enactment of the Omnibus Reconciliation Act of 1980, gave states more flexibility in designing reimbursement systems. Specifically, the act replaced the requirement that nursing homes be paid on a reasonable cost-related basis with a requirement that states make assurances that the rates were reasonable and adequate to meet costs incurred by efficiently and economically operated nursing homes. These assurances must be made at least annually and whenever a significant change is made in reimbursement methods. The Health Care Financing Administration (HCFA) is responsible for determining whether there is an adequate basis for the assurances.

In this report, GAO identifies weakness in each phase of the rate-setting process. These weaknesses mean that HCFA lacked adequate assurances that the states' reimbursement rates are reasonable and adequate to meet the costs incurred by efficiently and economically operated nursing homes.

**Railroad Retirement:
Federal Financial
Involvement (GAO/
HRD-86-88, May 9,
1986)**

The Railroad Retirement Board administers two programs: a retirement program for rail workers and their dependents and survivors, and an unemployment and sickness insurance program. The Congress and the rail industry originally intended that these programs be financed solely by the rail industry, but both programs later received federal financial assistance.

This report includes information on the nature and extent of federal financial involvement in these programs. In its analysis, GAO characterized federal involvement in the railroad retirement programs as that which (1) affected general revenues and (2) involved other federal trust funds.

**Medicaid: Making
Georgia's Nursing
Home Reimbursement
More Equitable (GAO/
HRD-86-58, May 12,
1986)**

In developing nursing home prospective payment rates, states generally group their nursing homes into various subgroups to reflect differences in costs caused by such factors as location and level of care. Most of Georgia's nursing homes are classified as freestanding intermingled homes, meaning they can provide care for residents requiring either skilled nursing or intermediate care, but the state's grouping method for these facilities does not consider their resident mix—a significant cost determinant.

This report includes GAO's evaluation of whether (1) Georgia's grouping for reimbursement purposes resulted in equitable reimbursement for intermingled homes and (2) applying minimum nursing standards resulted in appropriate payment levels.

**Federal Retirement:
Records Processing Is
Better: Can Be Further
Improved (GAO/GGD-
86-47, May 15, 1986)**

The Office of Personnel Management has had persistent difficulties in expeditiously processing civil service retirement applications and related documents. While delays and backlogs of retirement applications have been reduced recently, complaints about processing delays on other retirement-related documents have continued.

This report includes the results of GAO's review of four processing operations—applications from former employees seeking refunds of their retirement contributions, applications from people who owe money to the fund, notifications of change of address, and requests for changes in health and life insurance enrollment—to identify ways to streamline processing and reduce backlogs to acceptable levels.

**Low Income Energy
Assistance: State
Responses to 1984
Amendments (GAO/
HRD-86-92, May 16,
1986)**

Authorizing legislation for the Low Income Home Energy Assistance (LIHEA) Block Grant requires GAO to evaluate, at least every 3 years, the use of LIHEA funds by the states. This report (1) expands on the testimony on the effects of the 1984 amendments to the LIHEA program, delivered in February and March 1986 during hearings on LIHEA program reauthorization, and (2) presents information on the effects of the Gramm-Rudman-Hollings budget reductions and the \$2.1 billion Exxon oil overcharge settlement.

**Social Security:
Implementation of New
Mental Impairment
Criteria for Disability
Benefits (GAO/HRD-
86-75BR, May 19,
1986)**

The Social Security Disability Benefits Reform Act of 1984 mandated changes in methods used by SSA to evaluate claims relating to mental impairments for benefits under the Social Security Disability Insurance and Supplemental Security Income programs.

This briefing report summarizes (1) the changes mandated by law, (2) SSA's outreach efforts to contact mentally impaired individuals whose disability benefits had previously been denied or stopped and offer them the opportunity to reapply for benefits, (3) the availability of sufficient psychiatric consultants to assist disability examiners, and (4) implementation by SSA of its new criteria for adjudicating mental impairments.

**Pension Plans: Plans
With Excess Assets
(GAO/HRD-86-100BR,
May 30, 1986)**

Concern has been expressed about the effect that plan terminations with asset reversions might have on the continuation and adequacy of pensions for plan participants. Employers may terminate plans with excess assets because of a desire to use the excess for non-pension-related purposes. Upon plan termination, any assets in excess of those needed to cover participants' earned benefits may revert to the employer sponsoring the plan.

This briefing report provides information on excess assets in ongoing defined pension plans. It includes an assessment of the extent and changes in excess plan assets because employers sponsoring overfunded plans might be influenced to terminate them.

**Post-Hospital Care:
Efforts to Evaluate
Medicare Prospective
Payment Effects Are
Insufficient (GAO/
PEMD-86-10, June 2,
1986)**

The Medicare prospective payment system, authorized in 1983, was intended to control inpatient hospital reimbursements. PPS, which is based on fixed per-case payment for diagnosis-related groups, gives hospitals strong incentives to contain costs by controlling the amount of services provided and/or limiting patients' length of stay or both. One way to do this is to substitute skilled nursing facility and home health agency services for hospital care.

This report presents an evaluation plan that could be used to determine the effects of PPS on posthospital services and examines the adequacy of HHS efforts to develop this information.

**Federal Workforce:
Retirement Credit Has
Contributed to Reduced
Sick Leave Usage
(GAO/GGD-86-77BR,
June 6, 1986)**

Public Law 91-93, enacted in 1969, provided that federal employees would receive service credit in the computation of their civil service retirement annuities for any unused sick leave they had at the time of retirement.

This briefing report provides information on whether the law has had its intended effect of encouraging employees to use sick leave appropriately.

**Veterans Benefits:
Verification of Selected
Eligibility Factors
(GAO/HRD-86-19,
June 18, 1986)**

This study identifies the extent to which taxpayers' Form 1040 tax return information could be used to identify persons receiving VA benefits to which they were not entitled. The study shows for certain types of VA beneficiaries, (1) the number of 1040 records VA might obtain through computer matching with the Internal Revenue Service, (2) the number of benefit awards VA would have to examine because of differences between beneficiaries' tax data and corresponding benefit entitlement criteria, and (3) the estimated number and dollar amount of certain types of benefits that may have been paid to persons not entitled to them.

**Public Hospitals: Sales
Lead to Better
Facilities but Increased
Patient Costs (GAO/
HRD-86-60, June 20,
1986)**

The vast majority of the nation's counties and cities operate hospitals. In rural counties, the county-operated hospital is often the only hospital. By law or custom, public hospitals generally serve all people in their area, regardless of ability to pay, and they reportedly provide about twice as much uncompensated care to the medically indigent as other hospitals when measured as a percentage of total hospital expenses.

GAO reviewed public and voluntary not-for-profit hospitals that had been leased or sold during 1980-82 in HHS's Atlanta region and analyzed cost and charge information on Medicare cost reports for these hospitals.

This report includes information on public hospitals that had been sold or leased to for-profit firms, specifically, (1) the circumstances leading to the decisions to sell or lease the hospitals, (2) the effects of the changes in control on local communities and taxpayers, and (3) the effects on Medicare and Medicaid payments after the transactions.

**VA Disability Benefits:
Timely Delivery of
Military Service
Medical Records to VA
(GAO/HRD-86-104BR,
June 24, 1986)**

VA uses service military records to determine whether veterans are eligible for disability compensation benefits.

This briefing report discusses VA's ability to obtain service medical records from military records centers, specifically, (1) the extent of untimely delivery of service medical records from the military to VA, (2) reasons why military records centers experience delays in providing these records, and (3) records centers' initiatives to improve their response time.

**Financial Management:
An Assessment of the
Veterans
Administration's Major
Processes (GAO/
AFMD-86-7, June 27,
1986)**

This is a two-volume report. Volume I, based on information from fiscal years 1984, 1985, and 1986 for the planning, design, and construction of health care projects costing \$2 million or more, describes and analyzes the major strengths and weaknesses of VA's major financial management processes and the primary information they use. Volume 2 provides more detailed descriptions and flowcharts of the processes for fiscal year 1986.

**Needs-Based Programs:
Eligibility and Benefit
Factors (GAO/HRD-86-
107FS, July 9, 1986)**

Needs-based programs provide cash and in-kind benefits to low-income, needy, and/or distressed individuals who do not contribute financially to the programs. This fact sheet includes (1) a list of 95 needs-based programs active in fiscal year 1983, (2) tables showing the eligibility and benefit factors for 54 of the larger programs, and (3) a description of the 54 programs.

**Health Insurance:
Comparing Blue Cross
and Blue Shield Plans
With Commercial
Insurers (GAO/HRD-
86-110, July 11, 1986)**

The proposed Tax Reform Act of 1985 would effectively revoke the plans' current tax exemptions allowed by the Internal Revenue Code. The proposed act allows for special treatment for that portion of the plans' business related to high-risk individuals and small groups.

The Internal Revenue Code exempts from federal income tax "civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare." The Internal Revenue Service has recognized the exemption of Blue Cross and Blue Shield plans as social welfare organizations since their inception in the 1930's, when they pioneered health insurance. After commercial companies entered the field in the 1940's, a competitive for-profit health industry developed.

This report examines the potential impact of taxing Blue Cross and Blue Shield plans. It compares Blue Cross and Blue Shield plans with commercial insurers to identify differences in health insurance offered to high-risk individuals and provides information on certain underwriting practices used by Blue Cross and Blue Shield plans and commercial insurers.

**Medicare: Issues Raised
by Florida Health
Maintenance
Organization
Demonstrations (GAO/
HRD-86-97, July 16,
1986)**

HHS, which administers Medicare, initiated a national demonstration of risk-based health maintenance organizations (HMOs). HMOs are emerging as a major option by which Medicare beneficiaries can receive health services. Medicare pays HMOs on a capitation basis (a fixed amount per Medicare enrollee for all covered services). According to its ability to provide covered services for less than the predetermined rate, the HMO makes or loses money on the contract.

Because capitation payment creates strong financial incentives for efficiency, the administration is expected to propose other Medicare initiatives employing this approach. While capitation has significant potential for containing health care costs, it also poses the danger of diminished quality of care should an HMO try to cut costs excessively.

This report examines the HHS mechanisms for monitoring HMO activities; federal standards for HMO financial solvency and enrollment; HMO marketing practices, costs, and grievance procedures; and Medicare savings from capitation.

**Retirement Before Age
65: Trends, Costs, and
National Issues (GAO/
HRD-86-86, July 17,
1986)**

The federal government has no consistent policy regarding retirement age. On the one hand, the 1983 amendments to the Social Security program will gradually raise the normal retirement age to 67. On the other hand, federal policy offers favorable tax treatment for employer-sponsored pensions that encourage retirement at ages 62 and younger and Individual Retirement Accounts and Keogh plans, which allow funds to be withdrawn for retirement without penalty at age 59-1/2.

Retirement age has become an issue because of demographic projections that show an increase in the older population and a decline in the labor-force participation of older workers. These trends raise concerns as to whether the future working population will be able to support a growing number of retirees.

This report includes data on the trends and costs related to the decision to retire early.

**Pension Integration:
How Large Defined
Benefit Plans
Coordinate Benefits
With Social Security
(GAO/HRD-86-118BR,
July 21, 1986)**

Individuals' company pension benefits may be coordinated with Social Security, a process known as integration. In integrated plans, higher paid workers get a pension benefit that replaces a greater share of their final earnings than lower paid workers, thus countering the tilt in Social Security benefits toward low earners. Consequently, lower paid workers receive a small or sometimes no company pension benefit.

The proposed Tax Reform Act of 1986 included provisions that guarantee some minimum pension benefit to all participants in integrated employer-sponsored pension plans. These provisions affect the methods employers may use to integrate pension benefits with Social Security. In this report, GAO discusses the plans and people that might be affected by the integration amendments.

**Medicare: Physician
Incentive Payments by
Hospitals Could Lead
to Abuse (GAO/HRD-
86-103, July 22, 1986)**

During the past year, two physician incentive plans offered by hospitals have come under investigation for possible violation of Medicare law. These two plans have raised questions about the adequacy of the Medicare statute to deter abuses that may arise under the incentives of the Medicare prospective payment system for hospitals.

Until fiscal year 1984, Medicare paid hospitals the reasonable costs of providing services to beneficiaries. Later, Medicare paid hospitals under PPS, which pays a fixed amount for each Medicare discharge. The change in payment systems altered hospital incentives, which in turn changed the types of abuses that could occur. Under PPS, hospitals have financial incentives to underprovide services, discharge patients too early, and admit patients unnecessarily. The first two of these incentives were absent under cost reimbursement, which encouraged overprovision of services.

This report includes information on existing and proposed physician incentive plans and analyzes the plans to (1) assess their legality under current law and (2) determine the potential abuses that could arise in view of the changed incentives under PPS.

**Federal Retirement:
Retirement Data for
Selected Agencies
(GAO/GGD-86-123FS,
Aug. 1, 1986)**

If, within 3 years after retirement, retirees receive annuity payments equivalent to their contributions to the retirement fund, they pay no taxes on their annuities until the contribution equivalent is received. Currently, federal and other retirement annuities are taxed under the 3-year rule. Repeal of the 3-year rule would mean the tax-free recovery of contributions would be prorated over the retirees' expected lifetimes. Both the House and the Senate approved proposals to eliminate the 3-year rule as part of the overall tax reform program.

This fact sheet includes the results of GAO's survey at selected federal agencies to obtain information on the extent to which employees may be retiring to avoid the consequences of proposed legislation to change the taxation of annuities.

**VA Health Care: Issues
and Concerns for VA
Nursing Home
Programs (GAO/HRD-
86-111BR, Aug. 8,
1986)**

VA proposed in its fiscal year 1987 budget to increase resources for VA-supported state and community nursing home programs. GAO identified several issues that it believes bear directly on VA's ability to deliver nursing home care in fiscal year 1987 and beyond.

This briefing report identifies issues congressional committees may want to address in reviewing VA's provision of nursing home care.

**Medicare: Alternatives
for Paying Hospital
Capital Costs (GAO/
HRD-86-93, Aug. 11,
1986)**

The Social Security Amendments of 1983 required HHS to analyze methods for including capital costs related to inpatient services in Medicare's prospective payment system (PPS). Medicare has developed a system for paying hospitals a predetermined fixed amount for specific inpatient services which does not include capital-related costs.

This report identifies and evaluates numerous proposals for including capital-related costs in PPS or modifying the current cost reimbursement system. It also addresses the general principles involved with prospective payment of capital costs, the effects on hospitals of various types of proposals, and possible alternatives that would lessen any potential adverse effects.

**Social Security:
Improved Telephone
Accessibility Would
Better Serve the Public
(GAO/HRD-86-85,
Aug. 29, 1986)**

Each year, the public places millions of telephone calls to SSA. If a caller encounters a busy signal, no answer, or a long wait on hold, the result can be frustration, dissatisfaction with SSA, and increased visits to local offices.

This report, one of a series on SSA's service to the public, discusses the results of a GAO nationwide test of SSA telephone access and provides information on the agency's standards and telephone reporting activities.

**Welfare Simplification:
Service Integration
Demonstrations Under
the 1984 Deficit
Reduction Act (GAO/
HRD-86-125BR,
Aug. 29, 1986)**

The Deficit Reduction Act of 1984 authorized projects to demonstrate integrated service delivery systems to improve the delivery of human services to the needy and assure that an applicant for services under one human services program is informed of and has access to services available under other programs in the community.

This briefing report responds to a request that GAO report on the funding and monitoring by HHS on five integration demonstration projects authorized by the act.

**Housing for the
Elderly: HUD's Cost
Containment Program
Could Be More
Effective (GAO/RCED-
86-106, Sept. 9, 1986)**

Under Section 202 of the Housing Act of 1959, as amended, the Department of Housing and Urban Development (HUD) makes reduced-interest rate loans to nonprofit entities, or sponsors, to construct housing for the elderly. Since 1974, this loan program has been used in conjunction with HUD's Section 8 rental assistance program. This program provides subsidies to cover the difference between the amount the tenant pays (30 percent of income) and the rent for the unit.

This report describes what HUD's cost containment initiatives have accomplished in reducing costs in the Section 202 elderly housing program. It discusses the problems HUD has encountered in administering these initiatives, as well as additional opportunities for further reducing program costs. It additionally describes the demographic, financial, and housing characteristics of the elderly being served by the Section 202 program.

**Medicare: Reviews of
Quality of Care at
Participating Hospitals
(GAO/HRD-86-139,
Sept. 15, 1986)**

As its primary means of monitoring the medical necessity and quality of in-hospital care provided to Medicare beneficiaries, HCFA contracts with Utilization and Quality Control Peer Review Organizations (PROs). During the first 2 years of the program, HCFA contracts emphasized monitoring the medical necessity of admissions. HCFA's scope for the second contract expands requirements for PROs to monitor the quality of care provided.

This report discusses two areas related to quality issues in which GAO believed HCFA should make PROs' responsibilities more explicit.

**An Aging Society:
Meeting the Needs of
the Elderly While
Responding to Rising
Federal Costs (GAO/
HRD-86-135, Sept. 30,
1986)**

This report provides information on demographic changes in the elderly population, the relationship of these changes to the retirement income status of the elderly and expenditures for acute health care and long-term care services, and the extent to which potential changes to federal programs could affect the needs of the elderly. The report also discusses the health care needs of the elderly and how those needs affect their economic status and current and proposed efforts to deal with increasing health care costs.

GAO Audits in Process Relating to Issues Affecting the Elderly

Examination of the Financial Statements of the Military Services Retirement System for Fiscal Year 1985

Preparing Instructions for Federal Pension Plan Reporting Under Public Law 95-595 and Monitoring Compliance

Survey of Office of Personnel Management/Treasury Management of Civil Service Retirement Fund Investments*

Review of Internal Controls Over Fiscal Intermediaries in the Medicare Program

Survey of Internal Controls in the Medicaid Program

Review of 401(K) Deferred Pension Compensation Plans*

Alternative Ways of Looking at the Financial Position of the Social Security Trust Fund

Problems in Access to Posthospital Care for Medicare Patients*

Strategies for Measuring and Monitoring Quality of Care in the Medicare Program*

SSA Management Review

Tax Data to Verify VA Pensions Eligibility*

Evaluation of Medicare's Comprehensive Outpatient Rehabilitation Facility Reimbursement

Evaluation of Medicare's Secondary Payer Program*

Survey of the Appropriateness and Impact of Medicare's Fee Schedules for Laboratory Services

Survey of the HCFA's Ongoing Efforts to Assure the Appropriateness of Medicare Diagnosis Related Group Payment Rates

Review of New York State Survey and Certification Activities for Medicare and Medicaid Providers*

Survey of Diagnosis Related Group Validation Activity by PROS

Survey of Medicare Payments for Services Provided by HMOs

Review of the Voluntary Certification Program for Medicare Supplemental Insurance*

Review of the Effect of Federal Cost Containment Efforts on the Medicare and Medicaid Programs*

Hospital-Based Physician Payment Alternatives for the Medicare Program

Study of Variations in Medicare Payments to Teaching and Nonteaching Hospitals

Employees Not Covered Under Employer Health Insurance Programs*

Survey of Cost and Use of Contracting with Noncertified Nursing Agencies to Provide Medicare Home Health Services

Medicare Audits in Controlling the Use of Home Health Services*

State Cost Reporting of Medicaid Home and Community-Based Service Waivers

Operation of Arizona's Medicaid Health Care Cost Containment Program

Effectiveness of State Medicaid Lock-In Programs

Current Enforcement Efforts for Medicaid Nursing Home Standards*

Medicaid Support for Mentally Retarded Patients in Nursing Homes

Transfer of Assets to Become Eligible for Medicaid Nursing Home Care

Application of Residents' Income to Offset Medicaid Nursing Home Costs

Changing Structure of the Health Care System*

Evaluation of Mental Health Benefits Available Under Medicaid*

Qualifications of Direct Care Personnel Employed by Home Health Care Providers*

How Does VA Assure That Veterans Placed in Community and State Nursing Homes Receive Quality Care*

Should VA Build or Buy a Hospital in the Gulf Coast Area*

Review of VA's Domiciliary Programs

The Consolidation of St. Paul and Philadelphia VA Insurance Offices*

Effects of Underfunded Pension Plans on the Single Employer Insurance Program*

Survey to Assess the Effectiveness of the Employee Retirement Income Security Act of 1974 Pension Plan Funding Standards*

Survey of How SSA Resolves Payment Problems

Review of Effects of Uncredited Earnings on Social Security Eligibility and Benefit Amount

Evaluation of the SSA Samples to Determine Retirement and Survivors Insurance Payment Accuracy

Follow-Up Questionnaire Survey of SSA Clients on the Quality of SSA Service

Quality of SSA Service—First of Three Mandated Reports to the House and Senate Department of Health and Human Services Appropriations Subcommittees*

The Social Security "Notch" Problem: Background, Effects, and Alternatives*

Survey of the VA Service-Connected Disabilities

Review of Implementation of Medical Improvement Standard

Evaluation of SSA's Face-to-Face Hearings at Reconsideration*

Development of Demographic Data on Various Groups of Disabled Persons*

The Role of Vocational Rehabilitation in the Social Security Disability Program*

Review of VA Unemployability Compensation Awards*

Alcohol, Drug Abuse, and Mental Health Block Grant: Reauthorization Issues*

Medicaid: Results of Certified Fraud Control Units*

***Being performed at the request of Committees or Members of Congress.**

GAO Activities Affecting Older Persons

GAO appointed 452 persons to permanent and temporary positions during fiscal year 1986. Of that number, 109 were age 40 and older. As of September 30, 1986, GAO had 2,674 persons 40 and older (48.8 percent of our work force) on the rolls.

GAO employment policies prohibit discrimination based on age. Our Civil Rights Office continues to provide information and advice to persons regarding allegations of age discrimination.

For employees nearing retirement age, GAO continues to provide individual retirement counseling and preretirement seminars. The seminars and counseling are intended to assist employees in:

- calculating retirement income available through the Civil Service and Social Security systems and in understanding options involving age, grade, and years of service;
- understanding health insurance and survivor benefit plans;
- acquiring information helpful in planning a realistic budget based on income, tax obligations, and benefits and in making decisions concerning legal matters;
- gaining insights and perspectives on adjustments to retirement;
- increasing awareness of those community resources that might support preretirement planning, second careers, and financial planning; and
- increasing awareness of lifestyle options during the transition from work to retirement.

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